



(Billing Code 5001-06)

DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Parts 225 and 236

RIN 0750-AI52

**Defense Federal Acquisition Regulation Supplement: Use of
Military Construction Funds (DFARS Case 2015-D006)**

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Interim rule.

SUMMARY: DoD is issuing an interim rule amending the Defense Federal Acquisition Regulation Supplement (DFARS) to implement sections of the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2015, that require offerors bidding on DoD military construction contracts to provide opportunity for competition to American steel producers, fabricators, and manufacturers; and restrict use of military construction funds in certain foreign countries, including countries that border the Arabian Gulf.

DATES: Effective [Insert date of publication in the FEDERAL REGISTER].

Comment Date: Comments on the interim rule should be submitted in writing to the address shown below on or before **[Insert date 60 days after date of publication in the FEDERAL REGISTER]**, to be considered in the formation of a final rule.

ADDRESSES: Submit comments identified by DFARS Case 2015-D006, using any of the following methods:

- o Regulations.gov: <http://www.regulations.gov>. Submit comments via the Federal eRulemaking portal by entering "DFARS Case 2015-D006" under the heading "Enter keyword or ID" and selecting "Search." Select the link "Submit a Comment" that corresponds with "DFARS Case 2015-D006." Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "DFARS Case 2015-D006" on your attached document.

- o E-mail: osd.dfars@mail.mil. Include DFARS Case 2015-D006 in the subject line of the message.

- o Fax: 571-372-6094.

- o Mail: Defense Acquisition Regulations System, Attn: Ms. Amy G. Williams, OUSD(AT&L)DPAP/DARS, Room 3B941, 3060 Defense Pentagon, Washington, DC 20301-3060.

Comments received generally will be posted without change to <http://www.regulations.gov>, including any personal information provided. To confirm receipt of your comment(s), please check www.regulations.gov, approximately two to three days after

submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Ms. Amy G. Williams, telephone 571-372-6106.

SUPPLEMENTARY INFORMATION:

I. Background

This interim rule implements sections 108, 111, and 112 of the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2015 (Division I of the Consolidated and Further Continuing Resolution Appropriations Act, 2015, Pub. L. 113-235), enacted December 16, 2014.

- Section 108 provides that none of the funds made available in Title I may be used for the procurement of steel for any construction activity for which the requirement for competition opportunity has been denied to American steel producers, fabricators, and manufacturers who bid on DoD construction contracts.

- Section 111 provides that none of the funds made available in Title I may be obligated for architect and engineer contracts estimated by the Government to exceed \$500,000 for projects to be accomplished in certain foreign countries, including countries bordering the Arabian Gulf, unless such contracts are awarded to U.S. firms or U.S. firms in a joint venture with a host nation firm.

- Section 112 provides, with some exceptions, that none of the funds made available in Title I for military construction in certain foreign countries, including countries bordering the Arabian Gulf, may be used to award any military construction contract estimated by the Government to exceed \$1,000,000 to a foreign contractor.

The restrictions in section 108 were first enacted in the annual military construction appropriations act in FY 2009 (Title I of the Military Construction and Veterans Affairs Appropriations Act, 2009, Pub. L. 110-329, Division E). This interim rule revises DFARS 236.274 and 236.570(d)(1) to implement the same provision in subsequent military appropriations acts, including section 108 of Title I of the Military Construction and Veterans Affairs Appropriations Act, 2015, Pub. L. 113-235, Division I.

This interim rule also implements section 111 by amending DFARS 225.7015, 236.602-70, and 236.609-70(b)(3) to reflect that the current law now applies to the award of architect and engineering contracts that are estimated to exceed the \$500,000 threshold for projects to be performed in certain foreign countries, including countries bordering the Arabian Gulf. The term "Arabian Sea" has been replaced with "Arabian Gulf" in the clause prescription for DFARS 252.236-7011, Overseas Architect-Engineering Services—Restrictions to the United States.

This interim rule likewise implements section 112 by amending DFARS 225.7014, 236.273, and 236.570(c)(1) to reflect that the current law applies to military construction contracts estimated to exceed \$1,000,000 that are performed in certain foreign countries, including countries bordering the Arabian Gulf. The term "Arabian Sea" has been replaced with "Arabian Gulf" in the clause prescription for DFARS 252.236-7010, Overseas Military Construction--Preference for United States Firms.

As further background on sections 111 and 112, these restrictions have also been in place since 1997, except that recently the military construction appropriations act restrictions have applied to countries bordering the Arabian Sea, rather than countries bordering the Arabian Gulf. The final rule under DFARS Case 2014-D016 was published in the Federal Register on December 11, 2014, finalizing the change from "Arabian Gulf" to "Arabian Sea." In the current statute, enacted on December 16, 2014, sections 111 and 112 have been corrected to refer to the Arabian Gulf again.

II. Discussion and Analysis

In order to avoid any possible ambiguity as to the applicability of the rule, because there is not uniform agreement as to the correct name for the body of water located between Iran and the Arabian Peninsula (often referred to as the "Persian Gulf"), the interim rule lists the countries bordering

the Gulf in clockwise order (Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Iraq).

III. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

IV. Regulatory Flexibility Act

DoD does not expect this rule to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.* However, an initial regulatory flexibility analysis has been performed, and is summarized as follows:

This rule is necessary to require offerors bidding on DoD military construction contracts to provide opportunity for

competition to American steel producers, fabricators, and manufacturers; and implement the preference for award only to U.S. firms when awarding certain military construction and architect-engineer contracts to be performed in countries bordering the Arabian Gulf.

The objective of this rule is to implement sections 108, 111, and 112 of the Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2015 (Division I of Pub. L. 113-235). This rule extends the applicability of the requirement to provide opportunity for competition to American steel producers, fabricators, and manufacturers, and revises the preference for award to U.S. firms of military construction contracts that have an estimated value greater than \$1,000,000 and the restriction requiring award only to U.S. firms for architect-engineer contracts that have an estimated value greater than \$500,000, to make it applicable to contracts to be performed in a country bordering the Arabian Gulf, rather than a country bordering the Arabian Sea (as required in earlier statutes).

Section 108 will benefit any small business entities involved in producing, fabricating, or manufacturing steel products to be used in military construction. Sections 111 and 112 will only apply to a very limited number of small entities - those entities that submit offers in response to solicitations for

military construction contracts that have an estimated value greater than \$1,000,000 and architect-engineer contracts that have an estimated value greater than \$500,000, when the contracts are to be performed in countries bordering the Arabian Gulf.

This rule does not add any reporting or recordkeeping requirements. The rule does not duplicate, overlap, or conflict with any other Federal rules. This rule does not impose any significant economic burden on small firms. The rule primarily benefits U.S. firms (both small and large), by requiring offerors bidding on DoD military construction contracts to provide opportunity for competition to American steel producers, fabricators, and manufacturers; and providing a preference for U.S. firms competing for construction and architect-engineer contracts in certain foreign countries, including countries bordering the Arabian Gulf. DoD did not identify any alternatives that could reduce the burden and still meet the objectives of the rule.

DoD invites comments from small business concerns and other interested parties on the expected impact of this rule on small entities.

DoD will also consider comments from small entities concerning the existing regulations in subparts affected by this rule in accordance with 5 U.S.C. 610. Interested parties must submit

such comments separately and should cite 5 U.S.C 610 (DFARS Case 2015-D006), in correspondence.

V. Paperwork Reduction Act

The rule does not contain any information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. chapter 35).

VI. Determination to Issue an Interim Rule

A determination has been made under the authority of the Secretary of Defense that urgent and compelling reasons exist to promulgate this interim rule without prior opportunity for public comment. This action is necessary because sections 108, 111, and 112 of Title I, Department of Defense, the Military Construction and Veterans Affairs, and Related Agencies Appropriations Act, 2015, Division I of Pub. L. 113-235, enacted December 16, 2014, became effective upon enactment. This interim rule is necessary so that contracting officers will not risk possible misuse of funds. The interim rule provides contracting officers with the appropriate clause and provision prescriptions for correct use of provisions and clauses that implement the statutory restrictions on use of military construction funds. However, pursuant to 41 U.S.C. 1707 and FAR 1.501-3(b), DoD will consider public comments received in

response to this interim rule in the formation of the final rule.

List of Subjects in 48 CFR Parts 225 and 236

Government procurement.

Manuel Quinones,

Editor, Defense Acquisition Regulations System.

Therefore, 48 CFR parts 225 and 236 are amended as follows:

PART 225—FOREIGN ACQUISITION

1. The authority citation for 48 CFR part 225 continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

225.7014 [Amended]

2. In section 225.7014, amend paragraph (a) by removing “Arabian Sea” and adding “Arabian Gulf” in its place.

225.7015 [Amended]

3. Amend section 225.7015 by removing “Arabian Sea” and adding “Arabian Gulf” in its place.

PART 236—CONSTRUCTION AND ARCHITECT-ENGINEER CONTRACTS

4. The authority citation for 48 CFR part 236 is revised to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

5. In section 236.273, revise paragraph (a) introductory text to read as follows:

236.273 Construction in foreign countries.

(a) In accordance with section 112 of the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2015 (Division I of Pub. L. 113-235) and the same provision in subsequent military construction appropriations acts, military construction contracts funded with military construction appropriations, that are estimated to exceed \$1,000,000 and are to be performed in the United States outlying areas in the Pacific and on Kwajalein Atoll, or in countries bordering the Arabian Gulf (i.e., Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Iraq), shall be awarded only to United States firms, unless—

* * * * *

236.274 [Amended]

6. Amend section 236.274 by removing “(Pub. L. 110-329, Division E)” and adding “(Pub. L. 110-329, Division E) and the same provision in subsequent military construction appropriations acts” in its place.

236.570 [Amended]

7. Amend section 236.570 by—

a. In paragraph (c)(1), removing “Arabian Sea” and adding “Arabian Gulf” in its place; and

b. In paragraph (d)(1), by removing “by Title I of the Military Construction and Veterans Affairs Appropriations Act, 2009 (Pub.

L. 110-329, Division E)” and adding “for military construction” in its place.

8. Revise section 236.602-70 to read as follows:

236.602-70 Restriction on award of overseas architect-engineer contracts to foreign firms.

In accordance with section 111 of the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2015 (Division I of Pub. L. 113-235) and the same provision in subsequent military construction appropriations acts, architect-engineer contracts funded by military construction appropriations that are estimated to exceed \$500,000 and are to be performed in Japan, in any North Atlantic Treaty Organization member country, or in countries bordering the Arabian Gulf (i.e., Iran, Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain, Kuwait, and Iraq), shall be awarded only to United States firms or to joint ventures of United States and host nation firms.

236.609-70 [Amended]

9. In section 236.609-70, amend paragraph (b) (3) by removing “Arabian Sea” and adding “Arabian Gulf” in its place.

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